

E-Commerce and E-Business

The Evolving Internet Economy

Objectives

After you read this chapter you should be able to:

- Describe several basic models of e-commerce and e-business
- Discuss the factors that have had an impact on the success and failure of dot-com enterprises
- Explain how Web 2.0 and cloud computing technologies are changing e-commerce
- Discuss some ethical issues related to electronic commerce

"People in this business spend a lot of time **looking at ideas** and asking, **why do that?** But sometimes the more powerful question is, **why not?**"

—Jeff Bezos, founder and CEO of
Amazon.com

As a child, Jeff Bezos wanted to be an astronaut. As an adult he decided to make his-
tory in a different kind of space:
the uncharted territory of the newly-commercialized Internet.

He founded Amazon.com, naming it after the most voluminous river in the world. Amazon opened its virtual doors in July 1995 with a mission to use the Internet to make book buying the fastest, easiest, and most enjoyable shopping experience possible. "It's work hard, have fun, make history. That's what we're trying to do." Amazon did just that, expanding beyond books to become a general store selling music, electronics, household goods, and a myriad of other products. Its growth seemed phenomenal—greater than any other startup in history. 20 million customers in more than 160 countries bought \$2.8 billion worth of merchandise in 2000. Unfortunately, Amazon also lost \$1.4 billion in the process.

Jeff Bezos Takes Amazon into the Cloud

Fueled by big dreams and seemingly endless cash from investors, Amazon created an unprecedented shopping experience for consumers:

low prices, patented one-click purchase technology, quick shipments, personalized recommendations based on prior purchases (and purchases of others), and direct links to products from other Web sites—links that rewarded the owners of those Web sites with sales commissions. Bezos promised investors big returns from agreements with other Internet retailers. Most of the Internet companies paid Amazon in stock, much of which became worthless when the first wave of Internet companies hit the economic wall in 2000.

When the investor cash stream slowed to a trickle, Amazon undertook an efficiency drive, including a new accounting system that calculated profit and loss on every product it sold. The company got rid of unprofitable products, reduced the number of errors in its packing and shipping process, moved its call center operations to India, and

converted its international warehouses into regional hubs to cut down on inventory levels and delivery times. These measures worked—in 2003 Amazon was a profitable company, and since then profits have soared.

The newly profitable Amazon didn't sit still, waiting for competitors to catch up. The Amazon bookstore added a content-search feature that allows customers to search the contents of thousands of books for keywords and phrases. The music store added an MP3 download service that quickly became second only to Apple's dominant iTunes Store. In 2007, Amazon introduced Kindle, an electronic book designed to be for books what the iPod is for music. That same year more than a third of Amazon's sales were made by "seller-customers"—individuals, small businesses, and large specialty shops who used the eight-year-old Amazon Marketplace as a virtual storefront to sell their wares.



FIGURE 13.1 Jeff Bezos

But if Bezos is right, Amazon's biggest success may come from selling services rather than products. Amazon Web Services sells computer power and memory to customers who'd rather let somebody else maintain and service the hardware they need to run their Web sites, databases, and other computing activities. Bezos is betting that most of us will, over time, choose to pay pennies per hour and pennies per gigabyte rather than continually buying and upgrading our own computers. AWS is leading a global transition toward cloud computing—putting the computing power in the Internet cloud and treating it like a utility.

So far AWS generates just a tiny fraction of Amazon's astronomical revenues, but Bezos isn't worried. "We're willing to plant seeds and wait five to seven years for them to turn into trees." He's not concerned about cloud computing competition from Microsoft, Google, and other Internet giants, either. "We focus our strategies on delivering fundamental services better than anyone else." Bezos is proof that it's OK to have your head in the clouds if you're grounded in a solid strategy. ~



FIGURE 13.2 Amazon.com's automated warehouse streamlines order processing.

Amazon.com is a major player in the global electronic marketplace. Adam Smith, the founding father of economics, described the market concept in his book *The Wealth of Nations* in 1776, theorizing that “if every buyer knew every seller’s price, and if every seller knew what every buyer is willing to pay, everyone in the market would be able to make fully informed decisions and society’s resources would be distributed efficiently.” In many ways, the emerging global electronic marketplace approaches Adam Smith’s ideal.

Business on Internet Time

Electronic business (e-business) is, as the name suggests, the use of information and communication technology in support of business activities. Specifically, e-business generally involves the use of

In the future, **all companies** will be **Internet companies**.

—Andy Grove, former president, chairman, and CEO of Intel

networks for sharing business information, maintaining business relationships, and conducting business transactions. Strictly speaking, **electronic commerce (e-commerce)** refers to the sales aspect of e-business: the buying and selling of products or services over the Internet and other electronic systems. In reality, many people use these terms interchangeably, giving e-commerce a much broader meaning.

The terms *e-commerce* and *e-business* are relatively new, but the underlying concepts have been evolving since computers were first put to work more than a half century ago. Some go back as far as 1844, when Samuel Morse constructed the first telegraph network. Pre-Internet e-business tools included bar coding, fax communication, electronic data interchange, electronic funds transfer, enterprise-wide messaging systems, and other private LAN and WAN systems. But the development of the World Wide Web and the commercialization of the Internet in the early 1990s changed the nature and scope of e-business forever.

Forward-thinking businesses used Internet technology to communicate with employees, business partners, and customers. Old, inefficient systems were replaced with Internet-based systems. Traditional brick-and-mortar companies experimented with the Internet as a new revenue channel. Internet-based companies—**dot-coms**—sprouted like weeds: bookstores, boutiques, pet stores, grocery delivery services, online communities, all kinds of Web portals, and more.

During the 1990s investors were high on predictions of a “long boom” fueled by the emerging Internet economy. High-tech stock prices soared. Intel’s stock rose 3,900 percent, Microsoft’s stock jumped 7,500 percent, and Cisco’s stock increased by 66,000 percent! Investors, not wanting to miss out on the opportunity to make huge profits, used optimistic estimates of future earnings rather than current performance to justify phenomenally high prices for Internet-oriented companies, many of which had never turned a profit. In 2000 and 2001 the bubble burst, and the resulting collapse in stock prices caused about a thousand start-ups to fold, putting half a million people out of work in the process.

Excessive investor speculation was clearly a major cause of the dot-com bust of 2000. And there’s no denying that many of the dot-bombs were based on profoundly stupid ideas. But other dot-com businesses were simply ahead of their time. The technology of 2000 couldn’t support media-rich Web sites, high-quality streaming video, large-scale online communities, and the kind of instant feedback that makes many online experiences compelling to consumers today. Few people regularly used the Internet, and almost all of them logged in through slow dial-up connections.

All that changed in just a few years. Broadband found its way into homes and businesses by the millions. Falling hardware and infrastructure costs made many new services affordable. A global infrastructure opened new markets. Web 2.0 tools made many Web interactions as easy as watching a DVD. For a critical mass of people, the Internet was an important part of their everyday lives. Businesses large and small made the Web their main



FIGURE 13.3 Many e-businesses that have emerged in the last decade have innovative workspaces that encourage employee collaboration. This is one of many common meeting areas used by Google employees in their New York office.

communication link with customers, and new companies emerged to take advantage of the technological surge.

Today, e-business is solidly entrenched in our economy. E-commerce sales are measured in hundreds of billions of dollars each year. And e-business is changing at Internet speed. New businesses and new business models emerge every year, forcing investors to ask hard questions about the future. Whether or not we see another e-meltdown like the one in 2000, e-business in one form or another is here to stay.

In the next section, we'll take a closer look at the basic kinds of systems for conducting e-business: intranets, extranets, and e-commerce systems for doing business with consumers. Then we'll examine several trends that are creating entirely new ways of doing business on the Internet. Finally, we'll consider some of the ethical issues of e-business.

E-Business 1.0: Intranets, Extranets, and E-Sales

E-commerce is **not a technology play**. It's a relationship, partnering, communication, and organizational play, **made possible by technology**.

—Tom Peters, bestselling author and business consultant

The basic idea of e-commerce is that at least two parties—a seller and a buyer—exchange information, products, or services using network technology. The exchange, or transaction, can occur between individuals, businesses, or organizations. The potential benefits of e-commerce for a company are enormous. Companies that sell goods and services generally have lower expenses, higher productivity, more efficient order processing, more useful information about their customers, and larger, more geographically dispersed markets than other, similar businesses.

There are several e-commerce models based on who is involved in the transaction:

- **Business-to-business (B2B).** The **business-to-business (B2B)** systems model represents inter-organizational information systems in which a company handles transactions within its own value chain and with other businesses and organizations, such as its suppliers, distributors, and bank. For example, Wal-Mart purchases the products it sells in its stores from its vendors over the Internet. B2B is by far the dominant form of e-commerce, and it is growing at a phenomenal rate.
- **Business-to-consumer (B2C).** The **business-to-consumer (B2C)** model represents retail transactions between a company and individual customers. Examples include dot-com companies, such as Amazon.com and E*Trade.com, and traditional companies, such as Lands' End and United Airlines. B2C is the most visible aspect of e-commerce from a consumer's point of view. Worldwide revenues of B2C are in the hundreds of billions of U.S. dollars, but still far less than B2B revenues.
- **Consumer-to-consumer (C2C).** The **consumer-to-consumer (C2C)** model represents transactions between consumers facilitated by a third party. The best-known example of C2C is eBay, the phenomenally successful Web auction site that enables individuals and businesses to offer items for sale and bid on items to buy.
- **Business-to-employee (B2E).** **Business-to-employee (B2E)** systems aren't technically e-commerce (depending on which definition of the term you use), because they don't involve buying or selling anything. B2E systems focus primarily on handling the activities that take place within the organization. Most mid-sized and large companies have intranet sites to handle B2E business.

In the following sections, we'll explore each of these types of systems, starting with the B2E systems.

B2E: Intranets for Internal Communication

In business-to-employee (B2E) e-business, an organization uses an **intranet** to support its internal value chain activities. Intranets based on Internet technology offer several advantages over customized, proprietary networks: cross-platform capability, open standards, reduced hardware and software costs, easy installation, and minimal user training. Intranets can dramatically improve communications within the organization; any employee with security authorization can access the organization's intranet from any geographic location using a Web browser.

Businesses use intranets to support their internal business processes in several ways, including providing employees access to information, facilitating employees' teamwork and collaboration within and among departments, processing internal company transactions, and distributing information management tools.

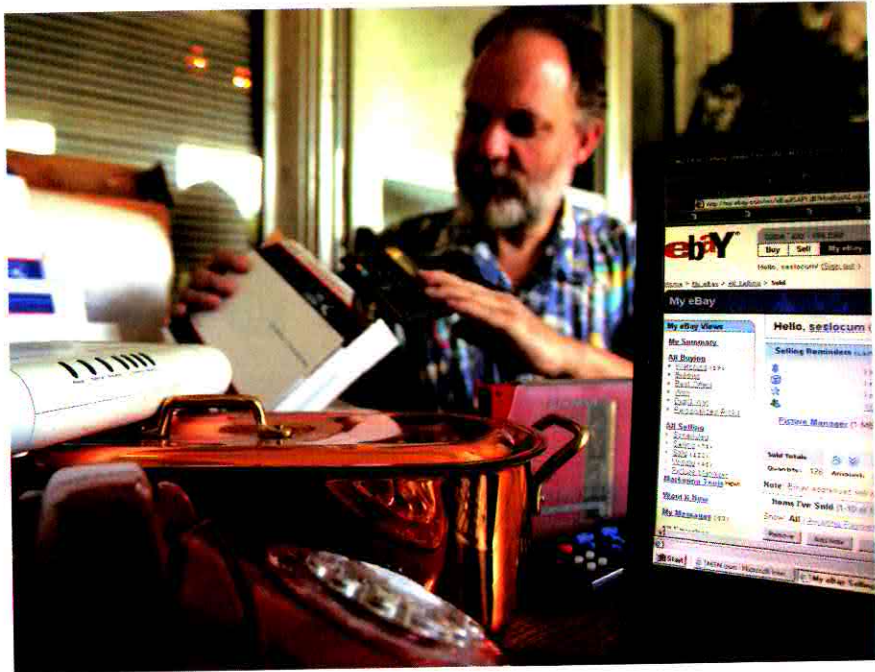


FIGURE 13.4 Millions of individuals and small businesses sell products through eBay auctions.

Stop thinking about the **technology** and start thinking about **what people are doing**. That's the secret to good design.

—Donald A. Norman, author and interface design expert

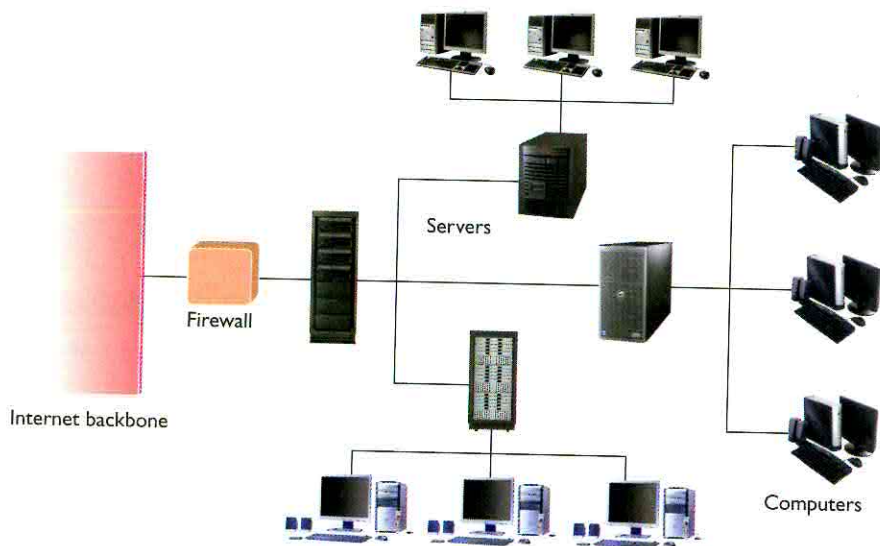


FIGURE 13.5 A larger company's intranet may be a network comprising several servers and many client computers. Firewall security guards against unauthorized access to the intranet.

Information Access for Employees

Many large companies have massive amounts of information stored in databases on their intranets—information that can be accessed by employees using Web browsers. For example, Los Alamos National Laboratory publishes several million internal classified, technical, and administrative documents on its intranet. By making this information available electronically, the Los Alamos scientists and managers can access the information quickly and easily, and the organization saves an estimated \$500,000 per year in printing and distribution costs. Of course, not every employee needs access to the same information. Canon's intranet uses tactical personalization to increase efficiency, and each user's view presents

only the information needed for their department. This approach ensures efficient access to the resources that employees need while reducing the information overload that a "one size fits all" approach can create.

Collaboration and Teamwork

Intranets make it easy for employees to share information, no matter where they are located geographically. In addition to information distribution, many companies use Web technologies in their intranets to facilitate collaboration within and among departments, improve their corporate culture, and cultivate a sense of community. IBM's intranet takes full advantage of everything that Web 2.0 tools have to offer, with 30,000 bloggers, podcasts (audio and video), wikis, and Beehive, an internal version of Facebook. Their intranet increases productivity, collaboration, and innovation of its 380,000 employees worldwide, 45 percent of whom work remotely throughout all global time zones.

Internal Business Transactions

Employees can use Web browsers to conduct actual internal business transactions on an organization's intranet. Having employees work electronically on an intranet increases efficiency, reduces paperwork costs, and increases the speed of updating information. Millipore Corp., a manufacturer of scientific and chemical purification products, uses its intranet to support employee self-service pages, including expense reporting, travel booking, and business-card ordering. Their intranet uses push technology to distribute employee information from 120 subscription-based corporate databases.

Distribution of Information Management Tools

Many organizations use their Intranets to deliver applications and tools to employees and managers. The information management tools described in the previous chapter—management information systems, executive information systems, expert systems, and more—can be incorporated into or linked into intranets, making them available as needed throughout an organization. Another type of tool, not discussed in Chapter 12, helps employees manage customer relationships. In e-businesses, where customers rarely, if ever, see or speak to company representatives, **customer relationship management (CRM)**

can be the difference between success and failure. In the information industry, CRM usually refers to methodologies, software, and Internet capabilities for managing customer relationships in an organized way. CRM systems have been around in one form or another since the pre-Web days. A typical CRM system is a customer database that can provide information for managers, salespeople, marketing departments, and sometimes even the customers themselves. The database might include past purchases, customer preferences, service schedules, and customer communications, among other things. Whether it's part of an intranet or not, a well-designed CRM system can benefit both company and customers.

B2B: Extranets for Commerce and Communication

Just as intranets facilitate internal business communications and transactions, extranets can transform communication and commerce between businesses. Many companies have benefited from linking their intranets with other companies, creating extranets. Extranets enable them to build alliances with vendors, suppliers, and other organizations internationally.

E-commerce is all about cycle time, speed, globalization, enhanced productivity, **reaching new customers**, and **sharing knowledge** across institutions for **competitive advantage**.

—Lou Gerstner, CEO of IBM

An **extranet**, or extended intranet, is a private inter-organizational information system connecting the intranets of two or more trusted business partners. Companies using an extranet can place orders with each other, check each other's inventory level, confirm the status of an invoice, and exchange many other types of business information. For example, Hilton Hotels operates a business-to-business extranet to communicate with companies that have contractual agreements to use Hilton's facilities for business travel. Hilton's corporate customers install links to the Hilton Web site on their own intranets, and those links call up customized Web pages with contractual prices and travel limitations.

Organizations can set up an extranet in one of three ways:

- A **secure private network** physically attaches the intranets with private leased telephone lines. Monthly leased-line charges can be costly, but security is relatively high for business transactions because only a limited number of partners have access to the system.
- A **public network** uses a public communications network, such as a public utility telecommunication network or the Internet. These types of intranets are relatively inexpensive to set up and maintain, but security is low. Intranets within a public network extranet are protected only by firewalls and user logon procedures.
- A **virtual private network (VPN)** uses a public network (most often, the Internet) with special protocols that provide a secure, private "tunnel" across the network between the business partners' intranets. A typical VPN is managed by more than one company's administrators. VPN-based extranets are popular because they're relatively economical, private, and secure. Data are specially coded—a process called **encapsulation**—for sending transactions over the Internet; essentially, transactions are conducted via an encrypted channel, or tunnel, between the intranet firewalls of the extranet.

An intranet can improve a business's bottom line by:

- Increasing the speed of B2B transactions
- Reducing errors on intercompany transactions
- Reducing costs of telecommunications
- Increasing the volume of business with partners
- Facilitating the exchange of B2B documents
- Providing instant access to inventory and order status from suppliers
- Facilitating collaboration with business partners on joint projects

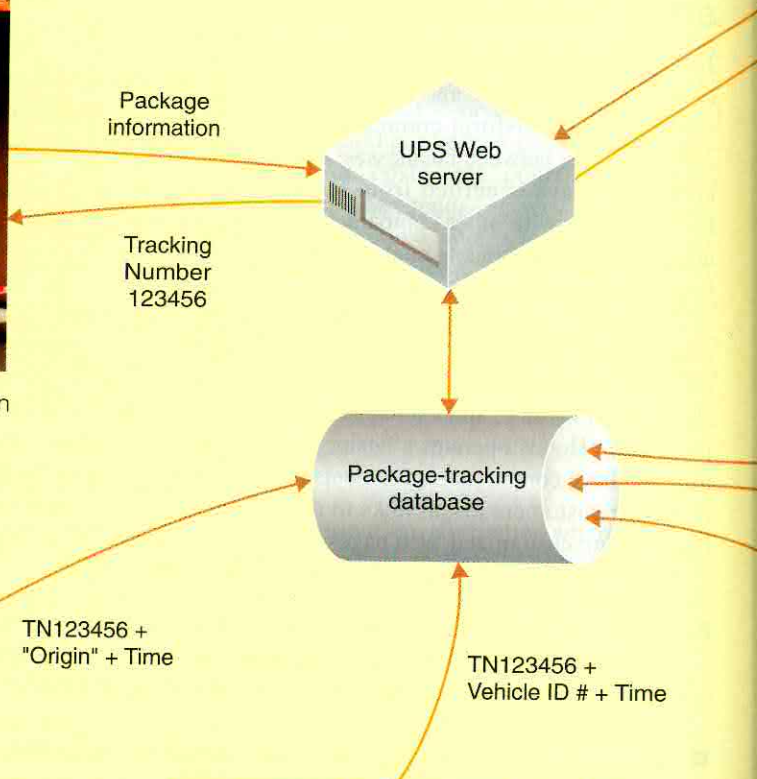
How It Works

13.1 Package Routing and Tracking

UPS delivers an average of 13 million packages and documents every business day. Its online package tracking system averages 9 million queries every day, making it an important customer-service activity. UPS uses wireless networks to make package routing and tracking fast and accurate.



1. A customer uses the UPS Web site to enter information about a package and generate a smart label. (UPS also provides other ways to generate smart labels.)



2. When the package is picked up, the driver uses a wireless handheld computer to scan the smart label.

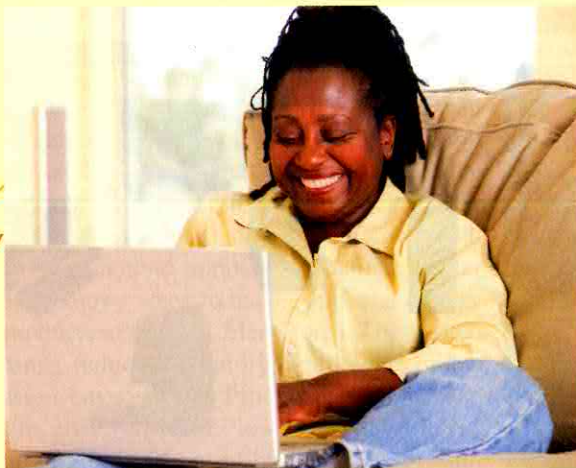


3. At the local distribution center, the package is scanned again when it is put on a truck, rail car, or plane.

FIGURE 13.6

TN123456

Package
status



4. The UPS Web server allows customers to learn the status of their shipments. This could happen at any time during the process. (Large customers can track packages using UPS's Electronic Data Interchange system.)

TN123456
+ Time + Location

TN123456 + "Delivery"
+ Time + Signature
image

TN123456 +
"Out for Delivery"
+ Time



5. Scanners track packages as they are routed through a large hub facility. Most air packages are routed through the UPS Worldport in Louisville, Kentucky. Ground packages are more likely to pass through CACHE, UPS's largest ground hub in Chicago.



7. The driver's handheld computer contains an ordered list of stops and the packages to be delivered at each stop. When the package is delivered, the driver uses the handheld computer to scan the package one last time.

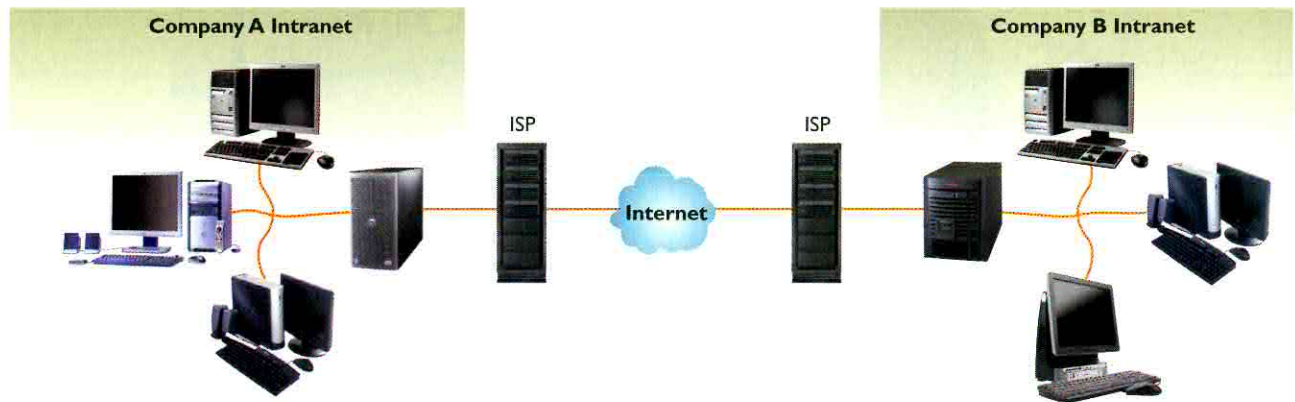
ABC Company
2526 KIPLING AVE
STE 8000
MINNEAPOLIS MN 55416-3952

P:MG1 S:1128 I:
97B-3770
1ZEWRXX028830 4221 0

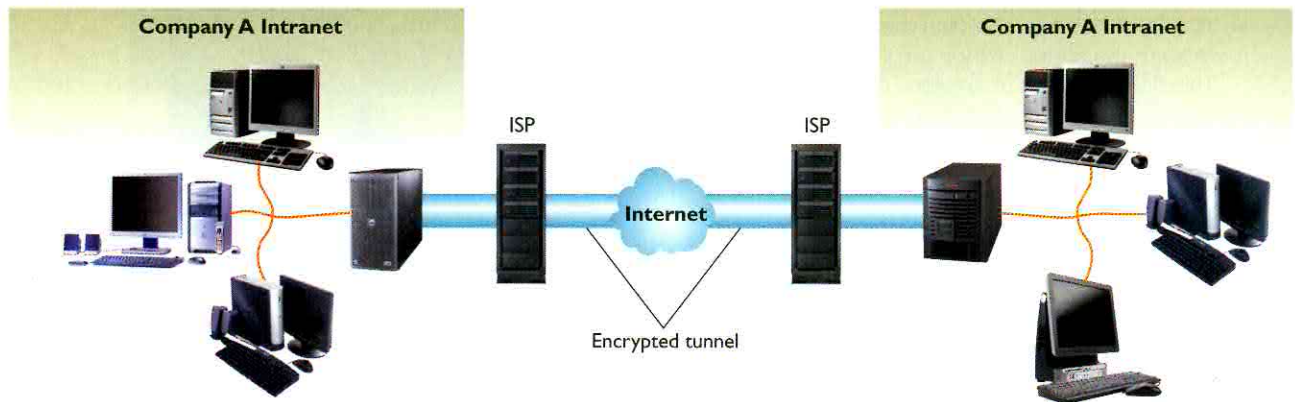
PRELOAD ASSIST LABEL
17 14:56:00 2003
MINNEAPOLIS 1 22 3014-00

6. When the package reaches the destination center, a computer creates a Preload Assist Label (PAL). The PAL identifies the conveyer belt to which the package should be sorted, the appropriate delivery vehicle, and the correct shelf location inside the delivery vehicle.

Public network



Private network



Secure private network

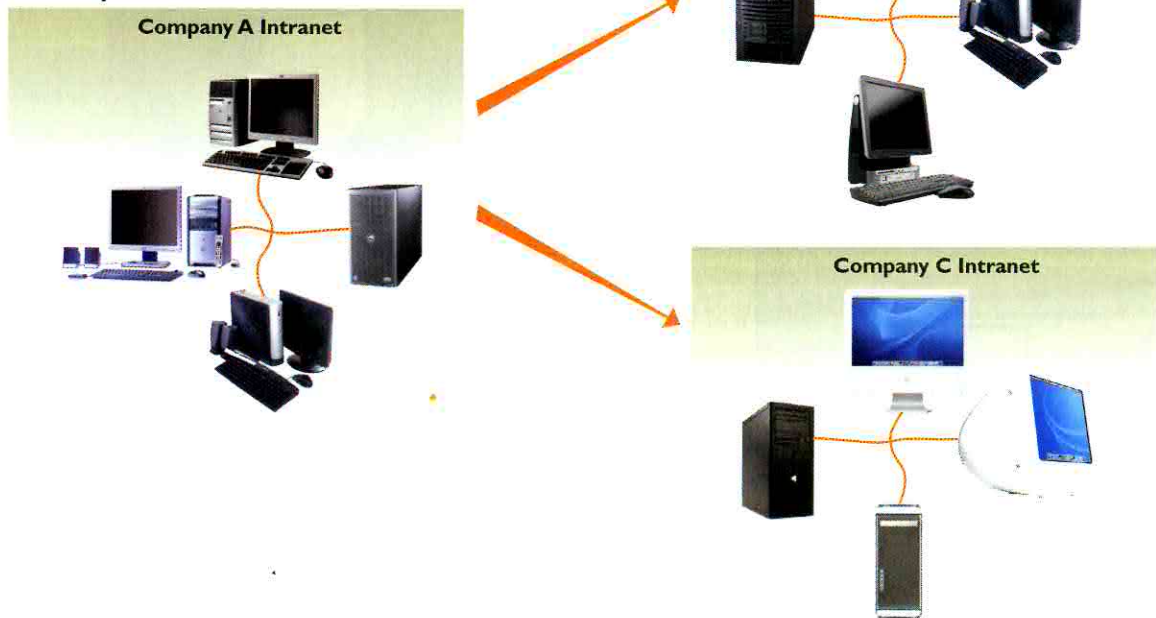


FIGURE 13.7 These three types of extranets enable organizations to connect their intranets to facilitate business transactions, communications, and other shared activities.

Wal-Mart and its suppliers use a B2B extranet. Wal-Mart built direct software linkages between its suppliers' factories and the cash registers at its stores. One major supplier, Procter & Gamble, can monitor the shelves at Wal-Mart stores through real-time satellite linkups that send messages to the factory whenever a checkout clerk swipes a Procter & Gamble item past a scanner at the register. With this kind of minute-to-minute information, Procter & Gamble knows when to make, ship, and display more products at the Wal-Mart stores. The system saves time, reduces inventory, and lowers order-processing costs so that Procter & Gamble can afford to give Wal-Mart "low, everyday prices" without putting itself out of business. As a result, Wal-Mart moves products through its stores more quickly and with less overhead.

Another example of a B2B extranet is Caterpillar Inc., a multinational heavy machinery manufacturer. Caterpillar developed extranet applications to reduce the time needed to develop and redesign its vehicle products. The company connected its engineering and manufacturing divisions with its suppliers, distributors, overseas factories, and corporate customers, all in a global extranet. A customer can, for example, use the extranet to modify order information while the vehicle is still on the assembly line. This ability to collaborate remotely between the customer and the product developers decreases time delays in redesign work.

The trade association of automotive manufacturers and suppliers has developed an extranet named Automotive Network Exchange (ANX). The extranet was designed as an Internet VPN to provide a global infrastructure for trading partners within the industry, including Daimler AG, Ford Motor Co., General Motors Corp., and several dozen major suppliers. ANX reduces telecommunication costs significantly by eliminating the need for manufacturers to have T1 lines to connect with their suppliers. ANX also reduces the time it takes a supplier to fill an order—sometimes from weeks to minutes.



FIGURE 13.8 Small businesses can use extranets to connect directly with suppliers, advertisers and other related businesses. These extranet connections aren't apparent to customers visiting the companies' public Web sites.

B2C: Online Retail Sales and Service

Intranets support an organization's internal business processes. Extranets support business-to-business processes of two or more organizations. Of course, e-commerce also facilitates business transactions with consumers. To conduct B2C transactions

on the Internet, a company provides customers with a public Web site where they can search product catalogs, retrieve product information, order and pay for a product, and get service and support information.

The early years of Internet B2C were plagued by questions of privacy and security. Phishing and other types of fraud still plague online consumers, but today's technology makes most online shopping experiences as secure as other forms of shopping. Message encryption standards use software for authenticating the parties involved in a credit card purchase on the Internet, and secure Web pages use encryption to protect sensitive credit and ID information. Modern **electronic payment systems** such as PayPal allow people to make purchases from strangers without revealing their credit card numbers. These systems rely on a trusted intermediary who is responsible for transferring funds from one person or business to another.

The best Internet sites have well-articulated goals and target specific markets, and their success is measured against specific objectives. There are many ways to measure the

Make your product easier to buy than your competition, or you will find **your customers** buying **from them**, not **you**.

—Mark Cuban, billionaire entrepreneur

How It Works

13.2 Online Shopping

1. Most online shopping sites are dynamic, database-backed sites whose pages are automatically generated and updated. When you visit a large online store, you are using your Web browser to search site databases.

2. When you decide to place an item in your shopping cart, your request is sent to the store's Web server, which sends a cookie to your computer—a small file containing information on the desired item. Cookies are used by the Web site to keep track of your potential purchases. Cookies might also be used to track the different pages you visit on the site and customize the display to match your preferences. For example, if you view several MP3 players, the site might show you more display ads related to portable audio.

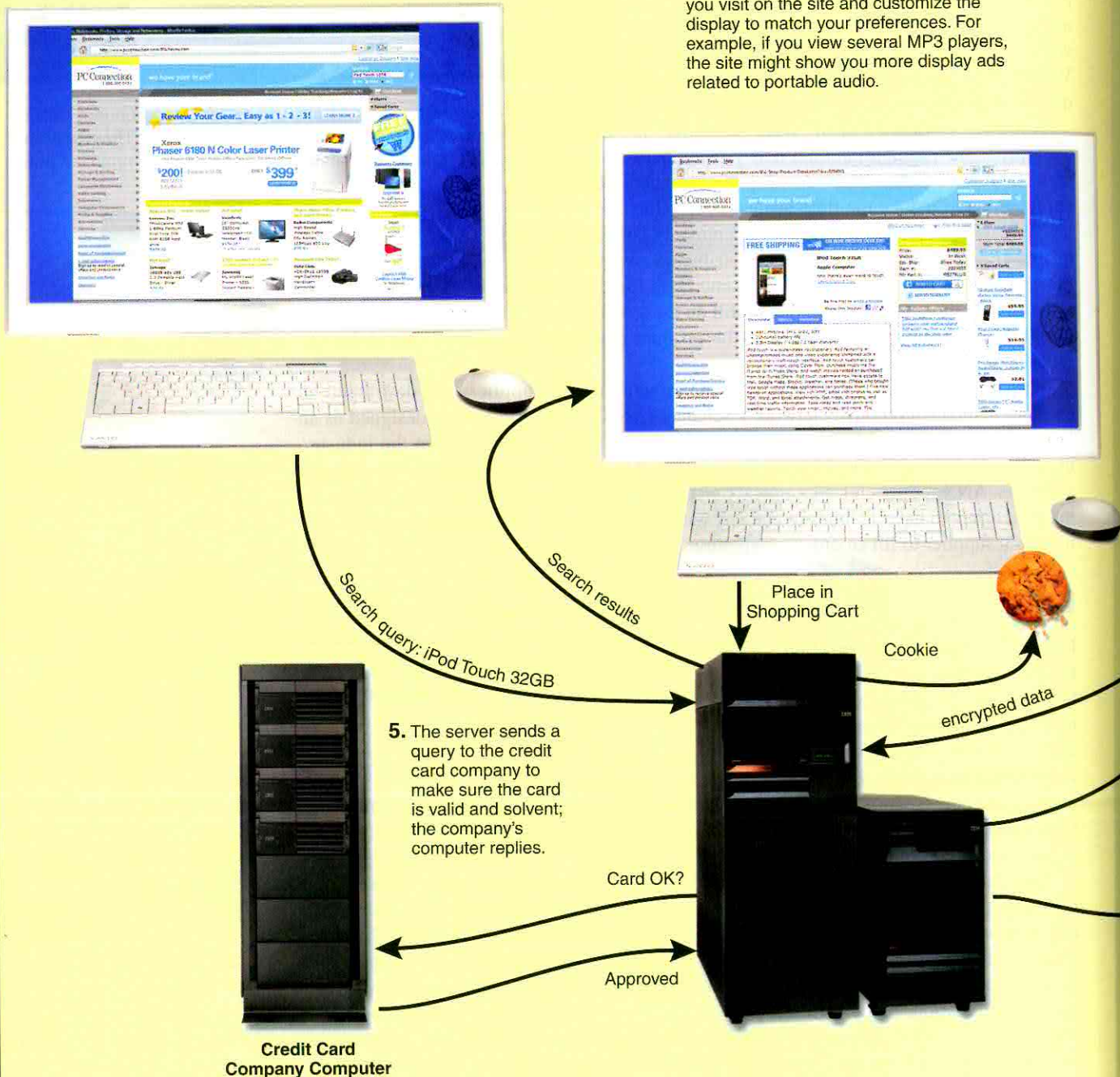
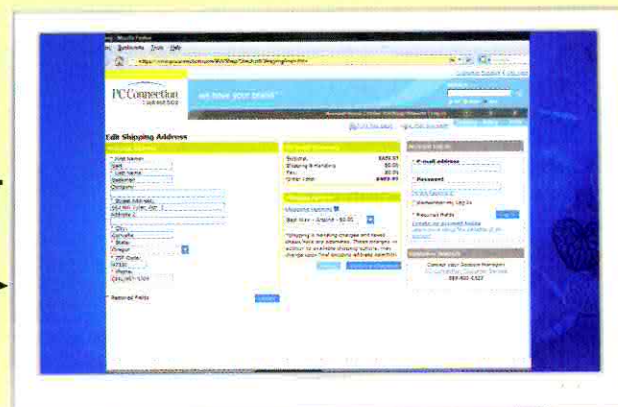


FIGURE 13.9

3. When you "proceed to checkout," the site displays all the items in your shopping cart, using the cookies on your hard disk to determine what you've put there.



4. When you continue the checkout process, you're routed to a secure part of the Web site so you can enter personal information and credit card numbers and know that they'll be encrypted before being sent through the Internet.



1widopq9a12 nkkwo



...Your order will ship today...



6. Once the transaction has been approved, the server sends a message to the warehouse where the order is filled. It also sends a confirmation email to you.



FIGURE 13.10a Penguin, like many book publishers, sells directly to customers through its Web site.

FIGURE 13.10b Bike Friday creates custom folding bike for cyclists all over the world; the company's Web site serves as a communication link between customers and company.

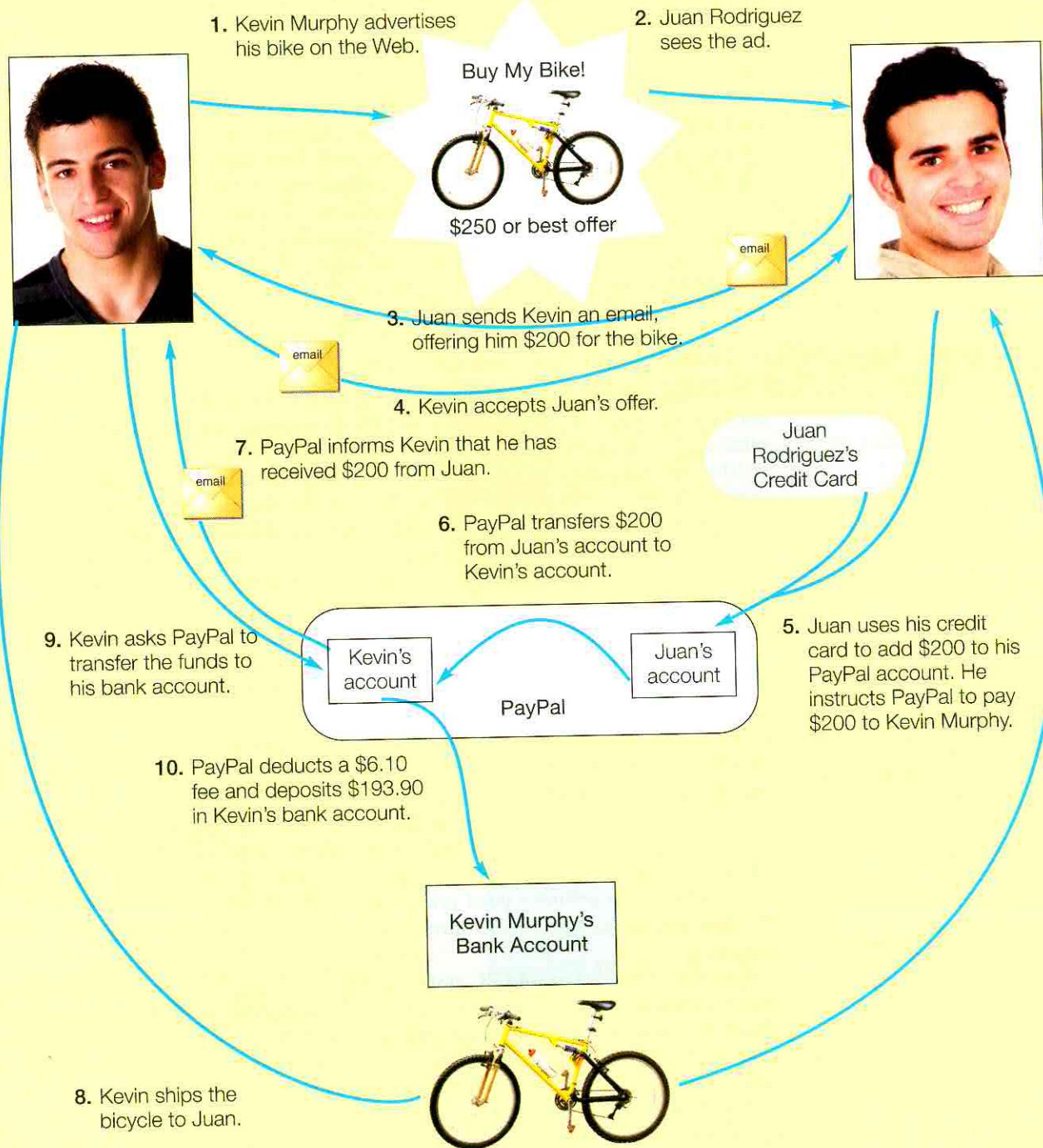


FIGURE 13.10c Customers at MakeYourOwn-Jeans.com submit measurements and receive custom-fit, made-to-order clothes.

How It Works

13.3 Using PayPal for Electronic Payments

More than 50 million people have an account with the PayPal electronic payment system. People use PayPal to pay for Web auction items, send money to family members, pay bills online, and more. In this example, two strangers use PayPal to facilitate the sale of a used bike.

**FIGURE 13.11**

effectiveness of a commercial Web site, and the number of hits a site gets is not necessarily one of them. The most successful B2C Web sites generally offer valuable content organized in an easy-to-access structure and packaged in a consistent, aesthetically pleasing design. Many also offer personalization (“Since you bought X we thought you might like Y”), customization (“Select a color,” “How much RAM do you want to add?” etc.), product support forums (“Check here for discussions of common problems and solutions”), and other features that go beyond basic catalog shopping.

Even the best sites can’t generate sales if customers can’t find them. Because most people depend on search engines to get around the Web, site developers pay considerable attention to features that will earn high rankings in relevant keyword searches. There’s a world of difference between being listed first and being listed 21st by a search engine. Most search engines rank sites using closely guarded algorithms based on occurrence of keywords in headings and text, links from related Web sites, and dozens of other factors. **Search engine optimization (SEO)** is the process of increasing Web site traffic by improving search engine rankings for targeted keywords. Experts in SEO make a science of figuring out tricks and techniques for maximizing rankings—and increasing traffic as a result. As you might expect, there’s a less-than-ethical counterpart to legitimate SEO. **Spamdexing** is the process of using techniques—automatically generated links from bogus sites, for example—to fool search engines into giving sites higher rankings than they deserve. Search engine developers continually refine their algorithms to attempt to stay ahead of spamdexers.

C2C: Making Consumer Connections

Some of the most popular commercial Web sites are designed to facilitate consumer-to-consumer commerce. These sites are intermediaries that connect consumers with each other. Most C2C sites fall into a few broad categories.

The most basic kind of C2C site is the digital equivalent of a newspaper’s classified ad section. The best known example is Craigslist, a service founded by Craig Newmark in 1995 to serve San Francisco. Today, Craigslist has local ads in hundreds of cities in more than 50 countries. It has become one of the most popular sites in the world and the leading classified ad service in any medium. People buy cars, rent apartments, find companionship, and hunt for jobs using Craigslist—all for free. The company charges for job listings and brokered apartment listings in a few places, but mostly gives its services away. The CEO has made it clear that the company is more interested in providing a service than maximizing profits.

Another type of C2C business is the online auction exemplified by eBay. Like Craigslist, eBay grew from a small California company in 1995 to an Internet giant with localized sites all around the world. Millions of people have sold everything from Brussels sprouts to fighter jets on eBay. The company gets a small commission for each sale. Many entrepreneurs have built their own businesses on the eBay infrastructure.

A variation of the Internet auction is the reverse auction. In a reverse auction, the potential buyer suggests a price and sellers “bid” on whether they can meet the price. Reverse auctions are popular for hotel rooms, air flights, and travel packages, when the traveler is more interested in getting a good price than in controlling the details of the itinerary. (Because reverse auctions usually involve customers buying from businesses, they aren’t technically C2C.)

One other popular type of C2C system is the reseller model popularized by Amazon’s partners program. Amazon partners can sell items through Amazon, taking advantage of Amazon’s commerce tools and huge audience. Amazon may lose some sales to partners who undercut their prices, but the company more than compensates through the large volume of sales commissions it earns on third-party sales.

CD Baby is a popular reseller site specializing in independent music. When a musician provides the company with a few copies of a CD and some basic information, the company creates a Web page to publicize and sell the CD. The musician gets the proceeds of any sales minus a small commission. CD Baby also handles the details of getting the music on iTunes and other electronic distribution sites.

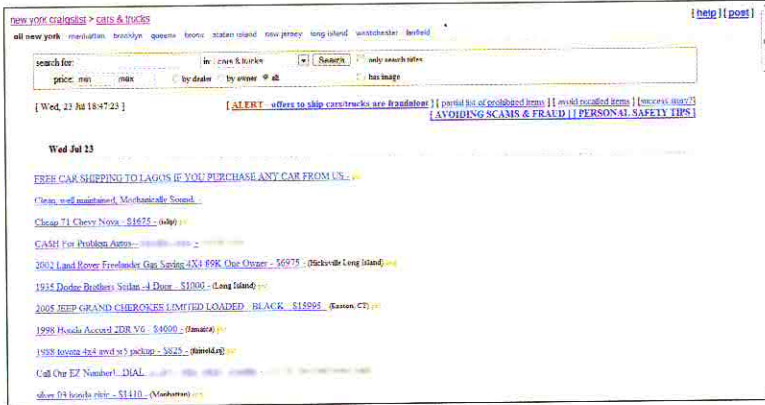


FIGURE 13.12 Craigslist offers free classified ads to customers in hundreds of cities around the world.

FIGURE 13.13 A consumer can use a C2C Web auction site, such as eBay.com, to buy, sell, or trade just about any type of product with other people.

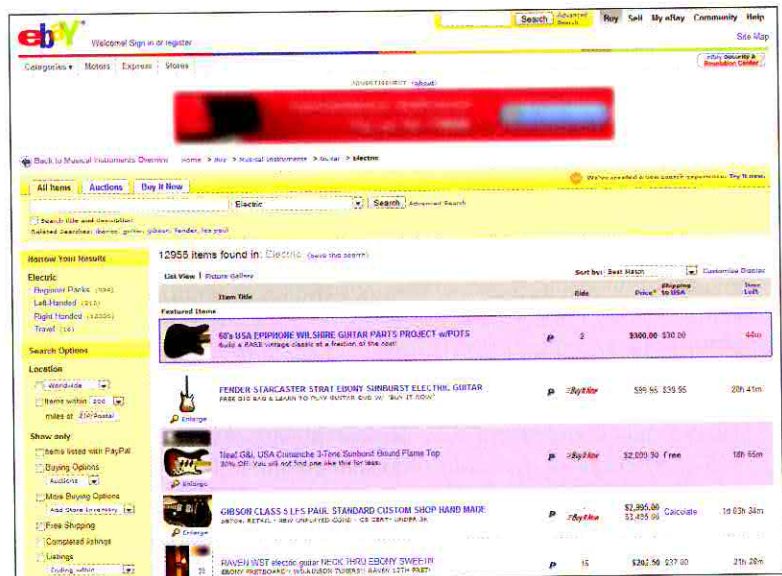


FIGURE 13.14 Hundreds of thousands of independent musicians sell their CDs and distribute their music to online stores through CD Baby.

